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INTELLIGENCE MEMORANDUM

SOVIET ECONOMIC ASSISTANCE TO THE SINO-SOVIET BLOC: LOANS, CREDITS, AND GRANTS

CIA/RR IM-433

20 August 1956

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S-E-C-R-E-T

CONTENTS

	<u>Page</u>
Summary	1
I. Magnitude and Character of the Program	3
II. Distribution of Loans and Credits	7
A. Credits for Purchase of Joint-Stock Companies	7
1. Bulgaria	7
2. East Germany	8
3. Hungary	9
4. Rumania	9
5. Communist China	9
B. Military Loans	10
1. Communist China	10
2. Hungary	10
C. Loans and Credits for Economic Development	11
1. Poland	11
2. Communist China	11
3. Bulgaria	12
4. North Korea	13
5. Albania	13
6. Hungary	14
D. Commodity Import Loans and Credits	14
1. Czechoslovakia	14
2. East Germany	14
3. Hungary	15
4. Poland	15
5. Rumania	15

- iii -

S-E-C-R-E-T

S-E-C-R-E-T

	<u>Page</u>
E. Grants	16
1. North Korea	16
2. North Vietnam	16

Appendixes

Appendix A. Soviet Loans and Credits to the Sino-Soviet Bloc	17
Appendix B. Gaps in Intelligence	19
Appendix C. Source References	21

Tables

1. Soviet Loans, Credits, and Grants to the Sino-Soviet Bloc	5
2. Soviet Loans and Credits to the Sino-Soviet Bloc	17

Chart

Following Page

USSR: Economic Assistance to the Sino-Soviet Bloc, 1946-56	2
---	---

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S-E-C-R-E-T

SOVIET ECONOMIC ASSISTANCE TO THE SINO-SOVIET BLOC:
LOANS, CREDITS, AND GRANTS*

Summary

Since 1946 the USSR has extended approximately US \$5 billion** in loans and credits to other members of the Sino-Soviet Bloc.*** Communist China (\$1.5 billion) and East Germany (\$1.4 billion) have received about 58 percent by value of the total Soviet aid. Loans and credits to Rumania, Poland, Hungary, and Czechoslovakia total about \$1.9 billion.

By order of value, loans and credits extended to other Sino-Soviet Bloc countries by the USSR have been made in the following connections: to finance the purchase of Soviet holdings, \$2.1 billion; for military purposes, \$1.2 billion; for economic development, \$1.1 billion; and to finance commodity imports, \$550 million. In addition, the USSR has extended outright grants totaling \$360 million to North Korea and North Vietnam.

The major part -- over 40 percent -- of total loans and credits was extended to the recipients to purchase Soviet shares in the joint-stock companies in Rumania, Hungary, Communist China, and North Korea and to pay for the return of Soviet-owned companies in East Germany. East Germany has been granted over \$1 billion, or about half the total of the credits extended for this purpose.

Military loans to Hungary and Communist China comprised approximately one-fourth of the total Soviet loans and credits to the Sino-Soviet Bloc. Communist China, the major recipient of military loans, received about \$1 billion during the period 1954-55. The third major

* The estimates and conclusions contained in this memorandum represent the best judgment of ORR as of 1 July 1956.

** All dollar values are given in US dollars throughout this memorandum.

*** See the chart, following p. 2.

S-E-C-R-E-T

S-E-C-R-E-T

type of credit extended by the USSR has been for economic development. Credits of more than \$1 billion have been extended for this purpose, with Poland and Communist China receiving approximately 90 percent of the total. Loans and credits for the import of foodstuffs and raw materials made up the remainder. East Germany and Poland received about 80 percent of the total of approximately \$550 million extended for this purpose.

Until 1954, Soviet assistance was extended primarily for alleviating postwar shortages of foodstuffs and raw materials and for economic development. Since early 1954, however, assistance has generally been made available for the purchase of joint-stock and Soviet-owned enterprises and for military loans.

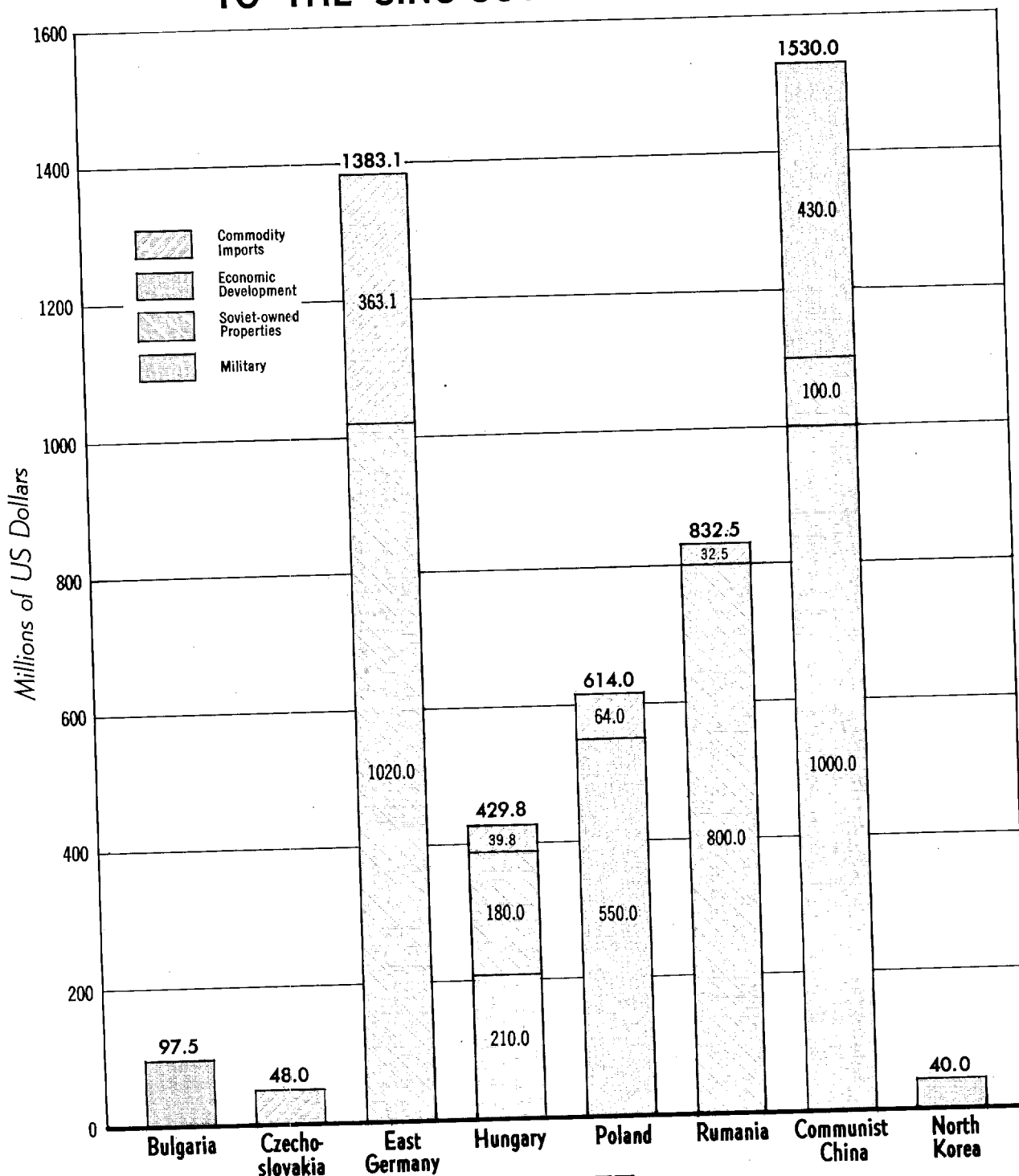
In most cases the repayment of the loans was to be made in the form of commodity shipments over a number of years. Interest ranged from 1 to 3 percent, usually to be repaid also in commodities.

Although it is difficult to determine the importance of these loans and credits to the economies of the countries receiving this aid, they have been beneficial both to the recipients and to the creditor. In the immediate postwar years the USSR supplied the European Satellites with urgently needed grain and raw materials. Through loans for industrialization and direct investment in Soviet-owned properties the USSR has assisted in the development of new industrial capacity to an extent large enough to enable the Sino-Soviet Bloc to claim that the volume of industrial output in 1954 was three times as large as in the immediate prewar period. In addition, the return of the Soviet-owned properties and joint-stock companies has increased the controllable capital assets of the countries concerned and probably has enabled them to retain a larger share of the output of these companies than previously.

For the USSR, these loans and credits have enhanced its position as the Sino-Soviet Bloc's major source of foreign capital and have served as instruments of control over the recipient economies. In assisting industrialization programs and generally specifying the commodities to be sent in repayment, the USSR has been able to direct investment within the Bloc along the lines which it desires. The loans and credits have been an important factor in diverting trade from the West and have been instrumental in implementing the integration program of the Bloc.

SECRET

USSR
**ECONOMIC ASSISTANCE
TO THE SINO-SOVIET BLOC 1946-56**



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S-E-C-R-E-T

I. Magnitude and Character of the Program:

On 14 February 1956, Nikita S. Khrushchev, First Secretary of the Communist Party of the USSR, speaking before the XXth Party Congress in Moscow, stated that "the Soviet Union is today helping the peoples democracies to build 391 enterprises and more than ninety separate shops and installations. We have granted to the peoples democracies long-term guarantees* totalling 21 billion rubles [approximately \$5.2 billion] at most favorable conditions." 1/** This statement is reasonably consistent with intelligence estimates.

It is likely that this mention of a specific sum was intended to remind the members of the Sino-Soviet Bloc of the degree of Soviet "generosity" and to indicate to the underdeveloped countries of the Free World the capability of the USSR to assist in the development of their economies.

In comparison with the magnitude of Free World assistance programs in postwar years, however, the Soviet program announced by Khrushchev is relatively small. The US has extended approximately \$40 billion in grants and \$11 billion in credits since 1945. 2/ Other Free World countries have extended approximately \$6.75 billion in grants and \$8.5 billion in credits in the same period. 3/ The primary purpose of these grants and credits has been to rehabilitate and strengthen the economic and military position of the Free World. The grants for military procurement formed a major part of the Free World assistance and also tended to reduce the economic burden occasioned by increased outlays for military defense.

* It is difficult to determine what may be included in the "long-term guarantees." For the purposes of this analysis and for comparison with Khrushchev's estimate, the long-term guarantees are considered to be synonymous with loans and credits maturing over a period of more than 1 year but not including grants-in-aid, although grants are separately presented in this memorandum. The technical assistance relationships and the instruments through which economic assistance is dispensed within the Sino-Soviet Bloc are not included in this analysis.

** For serially numbered source references, see Appendix C.

- 3 -

S-E-C-R-E-T

S-E-C-R-E-T

Estimated Soviet long-term loans and credits to the Sino-Soviet Bloc are shown in Table 1* and may be summarized as follows:

	<u>Million US \$</u>
Purchase of Soviet holdings	2,100.0
Military loans**	1,210.0
Economic development	1,117.5
Commodity imports	547.4
Total	<u>4,974.9</u>

A major share of the long-term credits extended by the USSR has been for the return of the Soviet-owned companies in East Germany and the transfer of joint-stock companies in Rumania, Hungary, Bulgaria, and Communist China. All but \$100 million of the total extended for this purpose was allocated among the four European Satellites. These credits represent more than half of the total loans and credits extended to the European Satellites by the USSR.

The joint-stock companies before their dissolution were valuable instruments of Soviet control in the countries in which they were located. Soviet profits from these enterprises were guaranteed at a defined level, regardless of actual profit, and control of management was effected through Soviet representatives. It is generally believed that these transfers have given the USSR political and propaganda benefits which outweigh any economic losses and, at the same time, have not lessened Soviet economic control over the countries concerned. Moreover, because credit repayments are in large part to be made in kind, the USSR will continue to receive, as it did under reparations agreements, a surplus of Satellite goods on current account. Although the specific commodities to be exported as repayment have never been announced, it may be assumed that they consist of commodities normally exported by the countries concerned.

* Table 1 follows on p. 5.

** The apparent inclusion of military assistance in Khrushchev's statement is less logical because he was discussing economic development. Military loans, however, could technically qualify as "long-term guarantees" and may have been included in order to maximize the figure.

S-E-C-R-E-T

Table 1

Soviet Loans, Credits, and Grants to the Sino-Soviet Bloc

	Million US \$					
	Purchase of Soviet Holdings	Military Loans	Economic Development	Commodity Imports	Total Loans and Credits	Grants Total Aid
European Satellites						
Albania	N.A.		N.A.		97.5	N.A.
Bulgaria			97.5	48.0	48.0	97.5
Czechoslovakia				363.1	1,383.1	48.0
East Germany	1,020.0	210.0		39.8	429.8	1,383.1
Hungary	180.0			64.0	614.0	429.8
Poland	800.0		550.0	32.5	832.5	614.0
Rumania						832.5
Total European Satellites	2,000.0	210.0	647.5	547.4	3,404.9	3,404.9
Far East Bloc						
Communist China	100.0	1,000.0	430.0		1,530.0	1,530.0
North Korea			40.0		40.0	290.0
North Vietnam						110.0
Total Far East Bloc	100.0	1,000.0	470.0		1,570.0	1,930.0
Grand total	2,100.0	1,210.0	1,117.5	547.4	4,974.9	5,334.9

- 5 -

S-E-C-R-E-T

S-E-C-R-E-T

In the cases of East Germany and Rumania, repayment was made exceedingly burdensome. Currency revaluations of the DME and the leu* preceded the agreements to return the Soviet-controlled properties to these countries. As the value of the Soviet holdings in each of these countries probably was stated in its domestic currency, the revaluations represented more rubles than previously. Since intra-Bloc trade is based on the ruble, which presumably has not been revalued, a larger volume of commodities is required to effect repayment.

A second major category of Soviet economic assistance has been loans for the purchase of military equipment which have been made to Communist China and to Hungary. Although it is also known that items destined for military end use have been sent to other members of the Sino-Soviet Bloc, it has been impossible to determine the nature of such trade and the mechanism employed.

Since 1946 the USSR has extended over \$1 billion in loans and credits purportedly to assist the other Sino-Soviet Bloc countries in the development of their economies. Poland, the major recipient of these credits, received approximately \$550 million for the purchase of industrial equipment from the USSR to be used in the construction of a steel mill, power plants, cement plants, and chemical factories. Communist China has received the bulk of the remainder, mainly directed toward the construction of 156 projects, including a steel mill, a petroleum refinery, a motor-vehicle plant, a chemical works, and hydroelectric and thermalelectric power plants. Smaller amounts of aid have been received by Bulgaria, Hungary, Rumania, Albania, and North Korea.

These loans have typically been granted on a project basis in order to finance the purchase of specified lists of equipment. The construction work itself has ordinarily been financed in local currency. The loan terms have generally required that repayment be made in commodities and, with the exception of Communist China, often from the output of the industrial installations for which the loans were made. 4/ Consequently, the extension of this type of loan not only has resulted in increasing Sino-Soviet Bloc industrial plant capacity but also has resulted in a guaranteed flow of specific products to the USSR.

* In September 1954 the leu was revalued upward from 2.8 to 1.5 to the ruble. In August 1953 the DME was revalued upward from 1.2 rubles to 1.8 rubles to the DME.

S-E-C-R-E-T

Until early 1954 the major type of long-term credit extended by the USSR was for the import of foodstuffs and raw materials. Of the approximately \$550 million of commodity import credits extended, all went to the European Satellites, and most were in the form of commodities or gold and foreign exchange. East Germany and Poland received about 80 percent of such credits. In 1947 and 1948 the USSR shipped to Poland 800,000 metric tons* of grain to alleviate a food shortage. East Germany received sizable quantities of grain and foodstuffs and a foreign exchange loan to purchase raw materials and foodstuffs in the West.

The importance of these loans and credits to the recipient countries cannot be adequately assessed without more information about relative prices in trade between the USSR and the other countries of the Sino-Soviet Bloc. In the case of Sino-Soviet trade, prices of both Soviet and Chinese Communist exports are believed to be roughly in line with world prices. Less is known, however, about prices between the USSR and the European Satellites. It is certain, however, that industrial plant capacity has increased significantly. It is reported that Soviet assistance has enabled the Bloc to increase industrial output by three times that of prewar. 5/ The following examples indicate some of the new annual capacity that has been created with Soviet assistance since 1945: 9 million tons of steel, 45,000 tons of aluminum, 22,000 tons of lead, 115,000 tons of tin, 8 refineries with 4 million tons of oil-refining capacity, and 55 electric power stations with 5.4 million kilowatts capacity. 6/ The significance of this expansion is indicated by the existence of only 7 million tons of steel capacity in these countries before the war. .

II. Distribution of Loans and Credits.**

A. Credits for Purchase of Joint-Stock Companies.

1. Bulgaria.

On 9 October 1954 an agreement was signed with Bulgaria by which the USSR relinquished its shares in three joint-stock companies engaged in shipbuilding, construction and production of building

* Tonnages are given in metric tons throughout this memorandum.

** See Table 2, Appendix A, p. 17, below.

S-E-C-R-E-T

S-E-C-R-E-T

materials, and civil aviation. 7/ The Soviet shares in these companies, largely acquired through Soviet contributions of German assets seized at the end of the war, were sold to Bulgaria for an undisclosed price, with payments to be made over a number of years. 8/ On 30 November 1955 an agreement was signed in which the USSR transferred to Bulgaria its shares in the Soviet-Bulgarian mining company. Although the terms of the agreement are not available, it has been reported that payment for the shares in the company is to be made over a period of years. 9/

2. East Germany.

In 1945 the Soviet occupation authorities ordered more than 200 of the largest and most important factories in East Germany transferred to Soviet ownership and management as a partial reparations payment. In 1947 and 1950, approximately 100 plants were returned to East German ownership. 10/ The remaining companies were organized in 30 holding companies called Soviet-Owned Joint Stock Companies (Sowjetische Aktiengesellschaften -- SAG's). 11/ In 1952, 66 SAG's were returned to East Germany, for which compensation had to be paid. 12/ In August 1953 a joint Soviet - East German protocol announced the return of 33 remaining SAG's to East Germany "without compensation" and the cancellation of a \$194-million debt remaining on prior returns. 13/ It is estimated that up to August 1953, East Germany has paid the USSR approximately \$390 million for returns of Soviet-owned companies. 14/

Although the 33 SAG's were reportedly returned without payment being required, there are indications that East Germany did incur financial obligations in connection with these companies. It has been reported that the USSR, through the Soviet-owned Garantie- und Kreditbank, had extended long-term credits to the SAG's totaling \$630 million, apparently for financing operations before their return and in compensation for the value of inventories on hand at the time of their return. 15/

An estimate of the total value of credits extended to East Germany by the USSR in connection with the SAG's, therefore, is about \$1,020 million -- \$390 million, which had been repaid, plus \$630 million outstanding.

- 8 -

S-E-C-R-E-T

S-E-C-R-E-T

In December 1955 it was announced that the joint Soviet - East German Uranium Mining Company, Wismut, was to be returned to East German control and to become an East German corporation by the end of March 1956. 16/ Subsequent reports, however, indicate that the USSR does not intend transferring its shares in the company before the end of 1956. 17/ No other details concerning the transaction are available.

3. Hungary.

On 6 November 1954 an agreement was signed between the USSR and Hungary which provided for the transfer to Hungarian control of companies concerned with petroleum, bauxite-aluminum, river shipping, and civil aviation. In addition, the Soviet commercial and industrial bank was also transferred to Hungarian control. 18/ It is estimated that Hungary is required to pay, over a period of 8 years, \$92 million for the petroleum, river shipping, and civil air enterprises and \$88 million for the bauxite-aluminum industry and the Soviet commercial and industrial bank. 19/

4. Rumania.

In September 1954 it was announced that the USSR had transferred to Rumanian ownership 12 joint Soviet-Rumanian companies* for which the Rumanians reportedly would have to pay \$800 million "by delivering goods that they normally export." 20/ These transfers did not include two of the largest joint companies, Sovrompetrol and Sovromquartz. Soviet shares in these two companies, however, reportedly were sold in December 1955 with a stipulation that Rumania would pay for the stock "on favorable terms and by installments" over a period of 10 years. 21/

5. Communist China.

On 11 October 1954, Communist China and the USSR issued a joint statement from Peiping concerning a major Sino-Soviet agreement which provided, among other things, for the transfer to China

* Including the following: Sovrommetal (metallurgical industry), Sovromtransport (river and ocean shipping), Sovromcarbune (coal), Sovromneftemash (oil machinery), Sovromsudostroy (shipbuilding), Sovromtraktor (tractors), Sovromchim (chemicals), Sovromgaz (natural gas), Sovromlemn (lumber), Sovromconstructie (construction), Sovrombank, and TARS (civil aviation).

S-E-C-R-E-T

beginning 1 January 1955 of Soviet shares in four joint Sino-Soviet companies.* Payment by the Chinese is to be made over a period of several years by the export of goods, the types of which are normally exported by China. 22/ It is estimated that the sale price of the Soviet shares in the four joint companies was approximately \$100 million. 23/

B. Military Loans.

1. Communist China.

Communist China is estimated to have received \$500 million annually in 1954 and 1955 in military assistance from the USSR. 24/ Loans of approximately \$500 million in each of the 2 years are indicated in the Chinese report on the budget for 1954 and the planned budget for 1955. The revenue for these loans is carried in the budget account "Credit, loans and insurance enterprises," and the Chinese stated that the loan in 1955 was for military materiel provided by the USSR.

2. Hungary.

Reports indicate that a total of \$120 million, presumably as of December 1955, remained outstanding on military assistance loans which had been extended by the USSR to Hungary. 25/ Since 1949 there have been three reported loans approximating \$90 million, including a loan which was to be used partly for the construction of an ammunition plant. 26/ The existence of an outstanding balance of \$120 million indicates that the value of Soviet military assistance to Hungary probably was larger than this figure, perhaps as high as \$210 million (\$120 million plus \$90 million). There is no indication whether the \$120-million figure includes the military loans previously reported. The balance of \$120 million is to be repaid in commodities (unspecified) by the end of 1956. 27/

* Sino-Soviet Joint Stock Petroleum Company, Sino-Soviet Joint Stock Nonferrous and Rare Metals Company, Sino-Soviet Joint Stock Company for Aviation, and Sino-Soviet Shipbuilding Company.

S-E-C-R-E-T

C. Loans and Credits for Economic Development.

1. Poland.

The first and most important of the credits issued to Poland for economic development was extended in 1948 in the amount of \$450 million for Soviet machinery and materials to be delivered during the execution of the Polish Six Year Plan (1950-55). 28/ This large credit was extended for Soviet deliveries of equipment for a new iron and steel mill, power plants, and chemical and cement plants. The agreement stipulated that payment for this equipment was to be made by Poland over a period of 9 years beginning at the date of delivery of the given item, and from the output obtained from these installations. In 1950 this credit was increased to \$550 million, and the period for deliveries was extended to 1958. Repayment was to be made in coal and textile deliveries in installments over a 10-year period with the first payment on each loan to be made at the time of the first delivery. 29/

In recent years the USSR has provided equipment for more than 40 Polish factories, plants, mines, and electrostations. 30/ A major investment in Poland during its Six Year Plan was the \$200-million Lenin Metallurgical Plant near Krakow, for which the USSR may have supplied as much as 85 percent of the machines and installations. 31/

2. Communist China.

Two investment credits have also been extended to Communist China by the USSR. The first of these, covering 141 large industrial installations, was granted on 14 February 1950. It provided a credit of \$300 million for the purchase of equipment and other materials for restored or newly built industrial enterprises. Among the projects for which this aid was scheduled were electric power plants, metal and machine manufacturing plants, coal mining installations, and equipment for transportation. The terms of the agreement were as follows:

a. The USSR was to provide 5 annual installments of \$60 million beginning 1 January 1950.

b. Repayment was to be made in 10 annual payments, the first by the end of 1954 and the last by the end of 1963.

- 11 -

S-E-C-R-E-T

S-E-C-R-E-T

- c. Interest was to be at the rate of 1 percent.
- d. Repayment was to be in raw materials, tea, and US dollars. 32/

The second long-term credit to Communist China was granted in October 1954 in the amount of \$130 million to finance deliveries of equipment for 15 additional industrial installations, supplementary machinery, and materials for those installations covered by the first agreement. 33/ It is probable that the loan of \$130 million may be used in part for refunding the previous loan.

On 7 April 1956 an agreement was signed in which the USSR pledged to assist in the construction of an additional 55 projects, including metallurgical plants, chemical plants, electrical enterprises, synthetic liquid fuel plants, and power stations. 34/ The value of these additional enterprises is estimated at approximately \$625 million. 35/ The equipment that the USSR will provide, however, is to be paid for through "normal trade procedures" 36/ and is not considered a long-term credit.

The period over which the new agreement is to apply has not been made clear, but if the new enterprises are scheduled to start in the near future, some advance in the rate of Soviet assistance will be necessary. Such a schedule would to some extent accelerate industrialization in Communist China.

3. Bulgaria.

In 1947 the USSR granted Bulgaria an investment credit amounting to \$5 million, which was to be repaid by shipments of tobacco and other goods in 5 years. 37/ Among the projects toward which the credit was to be used were the following: the Stalin Chemical Combine in Dimitrovgrad, a combine capable of producing 70,000 tons of fertilizer per year; the Maritsa III Thermal Power Plant, with 50-megawatt capacity; a 30-megawatt hydroelectric station; and a 25-megawatt thermal-electric station. 38/ In 1948 a second credit was issued to be used in conjunction with the building of the Karl Marx Soda Plant, the Lenin State Metallurgical Plant, and two automobile repair shops. 39/

S-E-C-R-E-T

On 3 February 1956, Bulgaria announced that the USSR had agreed to supply, during 1956-59, two long-term credits totaling \$92.5 million. 40/ The first, a credit for \$75 million, is to be extended for the purpose of supplying tractors, combines, agricultural implements, and thoroughbred livestock. It also provides for technical assistance in connection with the construction of a fertilizer plant with an annual output of about 200,000 tons of ammonium nitrate and a superphosphate plant with an annual capacity of 100,000 tons. 41/

The second credit, also to be used in conjunction with the above-mentioned plants, amounts to \$17.5 million and is to provide for equipment, work planning, and other forms of technical assistance. 42/ Repayment of these 2 loans is to be made in agricultural products over a period of 10 years. The interest rate is 2 percent. 43/

The fact that these last two credits are concerned solely with agriculture ties in with current emphasis on agricultural development in Bulgarian internal planning and with the recent difficulties in meeting agricultural investment goals. The credits may also be considered to reflect Soviet interest in furthering country specialization within the Sino-Soviet Bloc.

4. North Korea.

In 1949 the USSR and North Korea signed a 10-year Economic and Cultural Pact which provided for trade and cultural exchanges. In addition, supplemental agreements provided for Soviet aid to North Korea in the form of a \$40-million loan for the purchase of industrial equipment and raw materials and of technical assistance for industry and agriculture. 44/ Among the major projects toward which Soviet aid is to be applied are steel mills, cement plants, mines, shipyards, and power plants.

5. Albania.

The amount of Soviet credit extended to Albania is not known. The first reported credit arrangement was signed in February 1951. Within the framework of a 4-year trade agreement, Albania was to receive industrial equipment and technical aid to be repaid over a number of years. 45/ Subsequent reports indicate that industrial equipment and technical assistance have been received for the construction of various industrial installations including a hydroelectric plant, a tanning extract plant, an oil refinery, a textile combine, a sugar mill, and a woodworking plant. 46/

- 13 -

S-E-C-R-E-T

S-E-C-R-E-T

In 1954, Enver Hoxha, First Secretary of the Albanian Party Central Committee, announced that the USSR had granted Albania considerable credit and other economic privileges for the further development of the country's economy. ^{47/} It was implied that the economic aid was of an agricultural nature.

6. Hungary.

There are no available reports which indicate that the USSR has extended credits or loans to Hungary for economic development. Because of the nature of some of the goods which have been shipped or were scheduled for shipment from the USSR to Hungary, however, it is possible that some credits have been made available. The long-term Soviet-Hungarian trade agreement for 1952-55 specified that the USSR was to deliver equipment and complete enterprises. Much of the equipment for the Inota Aluminum Plant and the Stalinvaros Steel Combine also has been supplied by the USSR. ^{48/}

D. Commodity Import Loans and Credits.

1. Czechoslovakia.

In 1947 a credit of \$23 million was extended to Czechoslovakia for the purpose of financing imports from the USSR. The credit probably included an emergency shipment of 600,000 tons of grain, in addition to sizable quantities of iron ore, manganese, and cotton. ^{49/} In 1948 a \$200 million credit was rumored to have been granted by the USSR to Czechoslovakia. This was to be made 60 percent in gold and the remainder in hard currencies. ^{50/} There is no indication that this credit was ever implemented or even actually contemplated. A gold loan was announced in December 1948, for which the USSR was to receive oil-drilling and coal-mining equipment. ^{51/}

2. East Germany.

As in the case of Czechoslovakia, loans and credits have been extended to East Germany for importing foodstuffs and raw materials in general from the USSR. As a result of the high level of industrial development in East Germany, imports of raw materials rather than capital goods have comprised the major part of the commodities received on credit from the USSR. Until mid-1953, such credits extended by the USSR were

S-E-C-R-E-T

small, totaling approximately \$2.4 million. 52/ In July 1953, however, a credit approximating \$58 million was received by East Germany to finance the import of foodstuffs and raw materials from the USSR. 53/ One month later the USSR granted East Germany another credit amounting to \$121.5 million, also for the import of foodstuffs and raw materials from the USSR. 54/

The last reported credit received by East Germany occurred in late 1954, when the USSR extended a credit of \$180 million to be used for the import of industrial equipment, raw materials, and consumer goods. 55/

3. Hungary.

In 1953 the USSR reportedly made a loan to Hungary consisting of 10 tons of gold, valued at \$12.3 million. 56/ This loan probably was made to enable Hungary to settle urgent outstanding obligations in the West. It was further reported that in late 1954 the USSR extended a \$25-million commodity credit to Hungary in the form of vanadium, chrome, cobalt, and consumer goods. 57/ In June 1955, another loan, amounting to \$2.5 million in cash, was extended to Hungary by the USSR, also presumably to settle outstanding obligations in the West. This loan was originally scheduled to be repaid in about 6 months, but later reports indicate that the repayment period was extended to 18 months. 58/

4. Poland.

During the period 1947-48, Poland received from the USSR a loan of \$28 million in gold and a commodity credit valued at \$36 million. The gold loan was to be used by Poland to import raw materials and capital goods from the West and was to be repaid in Polish raw materials, mainly coal. 59/ The commodity credit provided, in part, for emergency shipments of 800,000 tons of grain, which was to be repaid over a period of years in Polish commodities (such as coal and agricultural products) and by adjustments of transit charges owed by the USSR to Poland. 60/

5. Rumania.

Direct loans and credits to Rumania have not been extensive. In 1946 the USSR shipped Rumania approximately 300,000 tons of wheat, valued at \$22.5 million. 61/ In 1947 a dollar credit of \$10 million was extended to Rumania for the import of foodstuffs and raw materials. 62/

S-E-C-R-E-T

E. Grants.

1. North Korea.

In 1953 the USSR extended to North Korea a grant of \$250 million. Of this amount, 50 percent was to be used for the buildup of military armaments, 25 percent for light industry, and 25 percent for heavy industry. 63/ The grant was to be expended over a period of 3 years.

During 1954, approximately \$105 million reportedly was received by North Korea. Approximately \$38 million consisted of capital goods (machinery, transport equipment, and construction materials) and about \$13 million of consumer goods (food, clothing, and drugs). 64/ A large part of the remainder probably consisted of military deliveries.

2. North Vietnam.

Soviet aid to this area was extended in 1955 in the form of a \$100-million grant-in-aid to be used over a period of several years "for building factories, combatting epidemic diseases and aid in feeding the people." 65/

- 16 -

S-E-C-R-E-T

S-E-C-R-E-T

APPENDIX A

SOVIET LOANS AND CREDITS TO THE SINO-SOVIET BLOC

Table 2

	Date	Terms	Value	Million US \$	
				Total per Commodity	Total per Type of Loan
Purchase of Soviet holdings					
East Germany	1952-53	N.A.	1,020		
Romania	September 1954	Repayment in commodities due in 10 years.	800	66/	
	December 1955 67/		N.A.		
Hungary	6 November 1954	Repayment in 8 years.	180	68/	
Communist China	11 October 1954	Repayment in goods normally exported by Communist China over a period of several years.	100	69/	
Bulgaria	9 October 1954 70/	Repayment over a period of several years.	N.A.		2,100
	30 November 1955 71/				
Military loans					
Communist China	1954	N.A.	500	72/	
Hungary	1955	Interest of 2-3/4 percent to be paid in commodities at a value determined by the USSR.	500	73/	1,000
	1949		37.7	74/	
	1952	N.A.	50.0	75/	
	1954	N.A.	1.75	76/	
		Balance outstanding, December 1955.	120.0	77/	210
					1,210
Credits for economic development					
Poland	1948	Repayment in 9 years; interest at 3 percent.	450	78/	
	1950	Repayment through coal and textile deliveries and transport of Soviet cargoes in Polish ships.			
		Period for repayment made part of 1948 agreement and extended to 1958.	100	79/	550

- 17 -

S-E-C-R-E-T

S-E-C-R-E-T

Table 2
(Continued)

			Million US \$	
	Date	Terms	Total per Commodity	Total per Type of Loan
Credits for economic development (Continued)				
Communist China	14 February 1950	Repayment in commodities and US dollars in 10 years; interest at 1 percent.	300	80/
Bulgaria	11 October 1954 March 1947	Repayment in tobacco and other agricultural commodities in 5 years. Repayment in agricultural products in 10 years; interest at 2 percent.	130	81/ 430
North Korea	3 February 1956 1949		5.0	82/
			92.5	83/
			40	84/
				97.5
				40
				1,117.5
Credits for commodity imports				
East Germany	May 1950 to April 1951 July 1952 July 1953 August 1953	Interest at 2 percent payable in commodities. N.A. N.A. \$87.5 million for import of foodstuffs and raw materials; remainder in foreign currencies; interest at 2 percent, payable in commodities. Credit in any desired currency. Repayment in either gold or convertible currencies in 3 years; interest at 3 percent; repayment scheduled for 1948-50.	2.38	85/
			1.5	86/
			57.75	87/
Czechoslovakia	1954 1947		121.5	88/
			180	89/
				363.1
Poland	December 1948	Repayment at 3.5 percent interest; repayment in mining and oil drilling equipment. Repayment in raw materials.	23	90/
	March 1947 1948	Repayment in Polish commodities and adjustment in transit charges owed by the USSR to Poland.	25	91/
		Issuance of 10,000 kilograms of gold; repayment in commodities; interest at 2 percent.	28	92/
Hungary	1953	Interest at 2 percent; credit in form of vanadium, chrome, cobalt, and consumer goods.	12.3	94/
	1954	Cash loan; repayment January 1957.	25	95/
		Repayment in kind in 1946-47; interest at 5 percent.	2.5	96/
Rumania	June 1955 1946	Repayment in commodities in 4 equal annual installments; interest at 3 percent; repayment during 1948-51.	22.5	97/
			10.	98/
				32.5
				547.4

S-E-C-R-E-T

APPENDIX B

GAPS IN INTELLIGENCE

The major gap in intelligence on Soviet economic assistance to the Sino-Soviet Bloc is the lack of data on comparative price relationships between Bloc countries. The effect of the loans and credits upon the economies of the recipient countries cannot be adequately assessed without such information.

Only fragmentary data are available concerning the commodities to be exported to the USSR for repayment of the loans and credits and concerning the length of time in which repayment is to be accomplished.

- 19 -

S-E-C-R-E-T

S-E-C-R-E-T

APPENDIX C

SOURCE REFERENCES

Evaluations, following the classification entry and designated "Eval.," have the following significance:

<u>Source of Information</u>	<u>Information</u>
Doc. - Documentary	1 - Confirmed by other sources
A - Completely reliable	2 - Probably true
B - Usually reliable	3 - Possibly true
C - Fairly reliable	4 - Doubtful
D - Not usually reliable	5 - Probably false
E - Not reliable	6 - Cannot be judged
F - Cannot be judged	

"Documentary" refers to original documents of foreign governments and organizations; copies or translations of such documents by a staff officer; or information extracted from such documents by a staff officer, all of which may carry the field evaluation "Documentary."

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this report. No "RR" evaluation is given when the author agrees with the evaluation on the cited document.

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- 21 -

S-E-C-R-E-T

25X9A1

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Next 3 Page(s) In Document Exempt

Approved For Release 1999/09/21 : CIA-RDP79T00935A000400100003-7

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LIMITED

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